

This record is a partial extract of the original cable. The full text of the original cable is not available.

UNCLAS SECTION 01 OF 02 HANOI 002798

SIPDIS

SENSITIVE

STATE FOR EB FOR BELLAR AND EAP/BCLTV  
STATE ALSO PASS USTR DWOSKIN, BRYAN, and KLEIN  
USDOC FOR LASHLEY AND 4431/MAC/AP/OPB/VLC/HPPHO  
USDOC ALSO FOR ITA/TD/OTEA/JJANICKE AND ITA/TD/SIF/CMUIR  
GENEVA FOR USTR

E.O. 12958: N/A

TAGS: [ETRD](#) [ECON](#) [VM](#) [WTO](#) [BTA](#)

SUBJECT: PASCAL LAMY BLINKS IN HANOI

1. (U) Summary: In Hanoi for the Fifth Asia-Europe Meeting (ASEM-5), EU Trade Commissioner Lamy closed out the EU's bilateral negotiations with Vietnam by accepting low levels of commitments not seen in recent accessions, especially on services. In a speech to the European Chamber of Commerce, he previewed the deal, took a swipe the BTA and the U.S. case on Airbus subsidies recently filed to the WTO. End Summary.

2. (U) On October 7, EU Trade Commissioner Pascal Lamy came to Hanoi to take part in the Fifth Asia-Europe Meeting (ASEM-5). His WTO negotiating team had been involved in negotiations lasting into the early morning hours with their Vietnamese counterparts most of the week. Lamy took time out of his October 8 meetings with other partners as well as the GVN to give a luncheon speech to the European Chamber of Commerce that ECON/C attended.

3. (SBU) Just before Lamy arrived to speak, the EC Ambassador to Hanoi told ECON/C privately that negotiations had been difficult because the Vietnamese were tough negotiators. Lamy and Trade Minister Truong Dinh Tuyen had concluded a deal on goods at 3 a.m. October 8, but services talks were ongoing. Problematic sectors included telecom, financial services and distribution. Noting that he did not expect a deal absent a breakthrough, the EC Ambassador said he was not sure how Lamy would characterize the situation in his public remarks.

4. (U) Lamy said that as Vietnam's largest trading partner, the EU was "sponsoring" Vietnam for accession. As part of its sponsorship, the EU would seek to provide a "realistic bilateral deal to protect Vietnam from the excessive demands made by other partners." He said that it was too early to tell whether there could be a deal with Vietnam, but there had been progress on WTO market access negotiations. Despite progress on goods, basic disagreements remain on market access for services, which both sides recognize as being most difficult. Lamy mentioned telecom, courier, transport, distribution, environmental, tourism and "some" financial services as being hard areas. With a precise idea of Vietnam's "red lines," he would need to see whether these might fall within the political parameters of a deal, Lamy said. There might be room at the political level for a deal, but Lamy acknowledged he would not know this until later that day or, more likely, the following day.

5. (U) Lamy also noted his preference for multilateral trade deals (i.e., WTO) over bilateral deals, which he characterized as less open and transparent since all parts were not published "as we know from the U.S. Bilateral Investment Treaty." (Note: We believe that he meant the BTA.)

6. (U) Lamy also took the opportunity to describe the Boeing and Airbus "subsidies" as "apples and pears." Subsidies for Airbus were completely transparent unlike those for Boeing, he opined. He noted that he was certain that the timing of the filing of the U.S. case to the WTO had nothing to do with U.S. politics.

7. (U) On the following day, October 9, Lamy and Trade Minister Tuyen announced a deal in their bilateral market access negotiations. Lamy said that with this deal, the EU wanted to set a benchmark to allow Vietnam, as a low income developing country, to open its economy with the necessary precautions and transitions and wanted other trade partners to understand this. He said that Vietnam had committed to an average 16 percent tariff level on goods, between Cambodia's (22 percent) and China's (below 10 percent), which is a good reflection of Vietnam's level of development. The EU showed flexibility regarding some "red lines" of Vietnam, which he attributed to the economic transition process in Vietnam. He noted for example the 30 percent equity cap of investment in Vietnamese companies and the limitation of foreign ownership in telecoms. This is about comparable to the Chinese commitments five years ago, he observed.

18. (SBU) Comment: In recent weeks, our EU colleagues had been quite sober in assessing prospects for a bilateral EU-Vietnam WTO deal during ASEM. Apparently more interested in scoring points with the Vietnamese and others than in improving market access for the firms he represents, Lamy closed out the EU's bilateral negotiations. In doing so, the EU settled for low levels of commitments not seen in recent accessions especially on services. Minister Tuyen confirmed to the Ambassador on October 12 that the EU had left the hard issues for the United States and other countries. If the GVN recognizes that the EU bar is artificially low, perhaps they will remain realistic and flexible when they come to Washington in late October. End comment.

MARINE